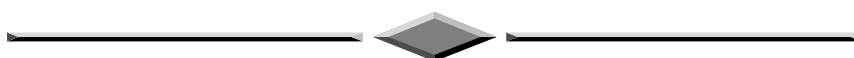


# Official Cohort Default Rate Overview



## What happens after the draft cohort default rate data is provided to schools?

Approximately six months after the release of the draft cohort default rates to postsecondary schools (schools), the U.S. Department of Education (Department) will release **official cohort default** rates to schools and the public.

## Will a school's draft loan record detail report and official loan record detail report be the same?

Not necessarily. The National Student Loan Data System (NSLDS) is regularly updated. Therefore, a school's **draft** data might differ from its **official** data, even if a school does not challenge its draft cohort default rate.

## Are there any consequences associated with official cohort default rates?

Yes. The Higher Education Act of 1965, as amended (HEA) and Department regulations describe the sanctions and consequences that apply when a school's **official cohort default rate** is at or above certain percentages.<sup>1</sup>

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<sup>1</sup> The statutory language that exempts historically black colleges and universities, tribally controlled community colleges, and Navajo community colleges from the loss of FFEL Program and Direct Loan Program will expire on July 1, 1999.

The sanctions associated with official cohort default rates are:

- ◆ **initial loss of Federal Family Education Loan (FFEL) Program, William D. Ford Federal Direct Loan (Direct Loan) Program, and/or Federal Pell Grant Program<sup>2</sup> eligibility.** This results from FY 1995, FY 1996, and FY 1997 **official** cohort default rates that are equal to or greater than 25.0 percent;<sup>3</sup>

OR

- ◆ **extended loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility.** This occurs when a school lost FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility due to FY 1994, FY 1995, and FY 1996 cohort default rates that were equal to or greater than 25.0 percent, AND the FY 1997 **official** cohort default rate is equal to or greater than 25.0 percent;<sup>4</sup>



A school that was not participating in the FFEL Program and/or Direct Loan Program on October 7, 1998, the date the HEA of 1998 (1998 Amendments) were enacted, and did not subsequently participate in the loan programs, will not lose its eligibility to participate in the Federal Pell Grant Program if it is subject to extended loss of FFEL Program and/or Direct Loan Program eligibility.

- ◆ **possible action to limit, suspend, or terminate (LS&T) a school's eligibility to participate in all Title IV Federal Student Financial Assistance Programs.** This occurs when a school's FY 1997 **official** cohort default rate is 40.1 percent or greater.<sup>5</sup>

<sup>2</sup> The HEA Amendments of 1998 (1998 Amendments)

<sup>3</sup> 34 CFR § 668.17(b), HEA § 435(a)(2), and HEA § 401(j)

<sup>4</sup> Id.

<sup>5</sup> 34 CFR § 668.17(a)(2)



The 1998 Amendments added additional consequences that apply when a school's **official cohort default rate** is at or above certain percentages. Specifically, Section 401(j) of the HEA indicates that a school will lose eligibility to participate in the Federal Pell Grant Program if the school loses eligibility to participate in the FFEL Program and/or Direct Loan Program due to cohort default rates. In addition, Section 435(a)(2)(A) indicates that an institution shall be required to pay to the Secretary an amount equal to the amount of interest special allowance, reinsurance, and any related payments made by the Secretary with respect to loans made under the FFEL Program and/or Direct Loan Program, during the pendency of a cohort default appeal, if the school's cohort default rate appeal of its loss of eligibility is unsuccessful. The Department will provide additional information regarding the repayment of funds due to an unsuccessful appeal in the *FY 1997 Official Cohort Default Rate Guide*.

## What are the consequences associated with these sanctions?

A school subject to **initial or extended loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility** loses eligibility to participate in that program for the remainder of the fiscal year in which the school became subject to such a loss and for the two subsequent fiscal years.<sup>6</sup> For example, if a school is notified that it is subject to initial or extended loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility in FY 1999, the school would lose its eligibility for the remainder of FY 1999 and for the next two fiscal years (i.e., FY 2000 and FY 2001). Therefore, the school would remain ineligible until September 30, 2001.

If a school is subject to **LS&T action**, the Department may initiate an action to limit, suspend, or terminate the school's eligibility to participate in **all** Title IV Federal Student Financial Assistance Programs.<sup>7</sup>

<sup>6</sup> 34 CFR § 668.17(b)(3)

<sup>7</sup> 34 CFR § 668.17(a)(2)

**Q .** How does a school officially reapply for participation in the FFEL Program and/or Direct Loan Program?

**A .** To reapply for participation in the FFEL Program and/or Direct Loan Program, contact the:

- ◆ IPOS Case Management Team at (202) 205-0183 for reapplying for participation in the **FFEL Program**;
- AND/OR
- ◆ Direct Loan School Selection Team at (202) 708-9951 for reapplying for participation in the **Direct Loan Program**.

## When does the school's loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program become effective?

- ◆ A school's participation in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program ends 30 calendar days after the date the school first receives notification that it is subject to the loss of eligibility.<sup>8</sup>
- OR
- ◆ If a school timely appeals its initial loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program the school remains eligible to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program until the Department issues a final decision on the school's appeal(s) that indicates that the school's appeal(s) was unsuccessful.<sup>9</sup>

## Can a school appeal its official cohort default rate?

Yes, a school can appeal the its official cohort default rate provided that the school meets the deadlines and eligibility criteria described in the Appeals section of the *FY 1997 Official Cohort Default Rate Guide*.

The Department will send each school the *FY 1997 Official Cohort Default Rate Guide* with the school's FY 1997 official cohort default rate. The *FY 1997 Official Cohort Default Rate Guide* will explain in detail the procedures and time frames for submitting a request for adjustment, erroneous data<sup>10</sup>, improper loan servicing<sup>11</sup>, and/or exceptional mitigating circumstances appeal<sup>12</sup>.

<sup>8</sup> 34 CFR § 668.17(b)(1), (b)(2), and (b)(3)

<sup>9</sup> 34 CFR § 668.17(b)(6)

<sup>10</sup> 34 CFR § 668.17(c)(1)(i)

<sup>11</sup> 34 CFR § 668.17(h)

<sup>12</sup> 34 CFR § 668.17(c)(1)(iii) and HEA § 435(a)(4)